

his successor-in-interest shall exercise his election to void the subordination clause or subordination agreement provided by subdivision (a) of this section by recording a notice stating that the provisions of Civil Code Section 2953.2 or Civil Code Section 2953.3 have not been complied with, and that he is the holder of the security instrument which is or was to become subordinated and that he elects to avoid the effect of the subordination clause or subordination agreement.

(c) The provisions of this section may be waived by the subsequent execution and recordation by the holder of the security interest which is or may become subordinated, of a statement that he knows of the existence of the subordination clause or agreement and of its terms and that he waives the provisions of this section and the requirements of Sections 2953.1, 2953.2, and 2953.3.

2953.5. (a) Sections 2953.1 through 2953.4 shall not apply to any subordination clause or subordination agreement which expressly states that the subordinating loan shall exceed twenty-five thousand dollars (\$25,000).

(b) Sections 2953.1 through 2953.4 shall not apply to any subordination clause or subordination agreement which is executed in connection with a loan which exceeds twenty-five thousand dollars (\$25,000).

2954. (a) No impound, trust or other type of account for payment of taxes on the property, insurance premiums or other purposes relating to the property shall be required as a condition of a real property sale contract or a loan secured by a deed of trust or mortgage on real property containing only a single-family, owner-occupied dwelling, except: (1) where required by a state or federal regulatory authority; or (2) where a loan is made, guaranteed, or insured by a state or federal governmental lending or insuring agency; or (3) upon a failure of the purchaser or borrower to pay two consecutive tax installments on the property prior to the delinquency date for such payments; or (4) where the original principal amount of such a loan is (i) 90 percent or more of the sale price, if the property involved is sold, or is (ii) 90 percent or more of the appraised value of the property securing the loan; or (5) whenever the combined principal amount of all loans secured by the real property exceeds 80 percent of the appraised value of the property securing the loans. Nothing contained in this section shall preclude establishment of such an account on terms mutually agreeable to the parties to the loan, if, prior to the execution of the loan or sale agreement, the seller or lender has furnished to the purchaser or borrower a statement in writing, which may be set forth in the loan application, to the effect that the establishment of such an account shall not be required as a condition to the execution of the loan or sale agreement, and further, stating whether or not interest will be paid on the funds in such an account.

An impound, trust, or other type of account for the payment of taxes, insurance premiums or other purposes relating to property established in violation of this subdivision is voidable, at the option of the purchaser or borrower, at any time, but shall not otherwise affect the validity of the loan or sale.

(b) Every mortgagee of real property, beneficiary under a deed of trust on real property or vendor on a real property sale contract

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upon the written request of the mortgagor, trustor or vendee shall furnish to the mortgagor, trustor or vendee for each calendar year within 60 days after the end of such year an itemized accounting of moneys received for interest and principal repayment and received and held in or disbursed from an impound or trust account, if any, for payment of taxes on the property, insurance premiums or other purposes relating to the property subject to the mortgage, deed of trust or real property sale contract. The mortgagor, trustor or vendee shall be entitled to receive one such accounting for each calendar year without charge and shall be entitled to additional similar accountings for one or more months upon written request and on payment in advance of fees as follows:

(1) Fifty cents (\$0.50) per statement when requested in advance on a monthly basis for one or more years.

(2) One dollar (\$1) per statement when requested for only one month.

(3) Five dollars (\$5) if requested for a single cumulative statement giving all the information described above back to the last statement rendered.

If the mortgagee, beneficiary or vendor transmits to the mortgagor, trustor or vendee a monthly statement or passbook showing moneys received for interest and principal repayment and received and held in and disbursed from an impound or trust account, if any, the mortgagee, beneficiary or vendor shall be deemed to have complied with this section.

No increase in the monthly rate of payment of a mortgagor, trustor or vendee on a real property sale contract for impound or trust accounts shall be effective until after the mortgagee, beneficiary or vendor has furnished the mortgagor, trustor or vendee with an itemized accounting of the moneys presently held by it in the accounts, and a statement of the new monthly rate of payment, and an explanation of the factors necessitating the increase.

The provisions of this section shall be in addition to the obligations of the parties as stated by Section 2943 of this code.

Every person who willfully or repeatedly violates this subdivision shall be subject to punishment by a fine of not less than fifty dollars (\$50) nor more than two hundred dollars (\$200).

(c) As used in this section, "single-family, owner-occupied dwelling" means a dwelling which will be owned and occupied by a signatory to the mortgage or deed of trust secured by such dwelling within 90 days of the execution of such mortgage or deed of trust.

2954.1. No lender or person who purchases obligations secured by real property, or any agent of such lender or person, who maintains an impound, trust, or other type of account for the payment of taxes and assessments on real property, insurance premiums, or other purposes relating to such property shall do any of the following:

(a) Require the borrower or vendee to deposit in such account in any month an amount in excess of that which would be permitted in connection with a federally related mortgage loan pursuant to Section 10 of the Real Estate Settlement Procedures Act of 1974 (12 U.S.C. 2609), as amended.

(b) Require the sums maintained in such account to exceed at any time the amount or amounts reasonably necessary to pay such obligations as they become due. Any sum held in excess of the reasonable amount shall be refunded within 30 days unless the parties mutually agree to the contrary. Such an agreement may be rescinded at any time by any party.

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(c) Make payments from the account in a manner so as to cause any policy of insurance to be canceled or so as to cause property taxes or other similar payments to become delinquent.

Nothing contained herein shall prohibit requiring additional amounts to be paid into an impound account in order to recover any deficiency which may exist in the account.

Any person harmed by a violation of this section shall be entitled to sue to recover his or her damages or for injunctive relief; but such violation shall not otherwise affect the validity of the loan or sale.

This section applies to all such accounts maintained after the effective date of this act.

2954.2. (a) Every mortgagee of record of real property containing only a one- to four-family residence, when the mortgage is given to secure payment of the balance of the purchase price of the property or to refinance such a mortgage, shall furnish to the mortgagor within 60 days after the end of each calendar year a written statement showing the amount of moneys received for interest and principal repayment, late charges, moneys received and held in or disbursed from an impound account, if any, for the payment of taxes on the property, insurance premiums, bond assessments, or other purposes relating to the property, and interest credited to the account, if any. The written statement required to be furnished by this section shall be deemed furnished if the mortgagee of record transmits to the mortgagor of record cumulative statements or receipts which, for each calendar year, provide in one of the statements or receipts the information required by this section. The mortgagor, trustor or vendee shall be entitled to receive one such statement for each calendar year without charge and without request. Such statement shall include a notification in 10-point type that additional accountings can be requested by the mortgagor, trustor, or vendee, pursuant to Section 2954.

(b) For the purposes of this section:

(1) "Mortgagee" includes a beneficiary under a deed of trust, a vendor under a real property sale contract, and an organization which services a mortgage or deed of trust by receiving and disbursing payments for the mortgagee or beneficiary.

(2) "Mortgage" includes a first or second mortgage, a first or second deed of trust, and a real property sale contract.

(3) "Impound account" includes a trust or other type of account established for the purposes described in subdivision (a).

(c) The requirements of this section shall be in addition to the requirements of Section 2954.

(d) This section shall become operative on December 31, 1978, and apply to moneys received by a mortgagee on and after January 1, 1978.

2954.4. (a) A charge that may be imposed for late payment of an installment due on a loan secured by a mortgage or a deed of trust on real property containing only a single-family, owner-occupied dwelling, shall not exceed either (1) the equivalent of 6 percent of the installment due that is applicable to payment of principal and interest on the loan, or (2) five dollars (\$5), whichever is greater.

A charge may not be imposed more than once for the late payment of the same installment. However, the imposition of a late charge on any late payment does not eliminate or supersede late charges imposed

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a nonmonetary default by the borrower (trustor) during the 24-month period immediately preceding the request.

(b) This section does not apply to any of the following:

(1) A note or evidence of indebtedness secured by a deed of trust or mortgage, or mortgage insurance, executed under the authority of Part 3 (commencing with Section 50900) or Part 4 (commencing with Section 51600) of Division 31 of the Health and Safety Code.

(2) Any note or evidence of indebtedness secured by a deed of trust or mortgage that is funded in whole or in part pursuant to authority granted by statute, regulation, or rule that, as a condition of that funding, prohibits or limits termination of payments for private mortgage insurance or mortgage guaranty insurance during the term of the indebtedness.

(3) Notes or evidence of indebtedness that require private mortgage insurance and were executed prior to January 1, 1991.

(c) If the note secured by the deed of trust or mortgage will be or has been sold in whole or in part to an institutional third party, adherence to the institutional third party's standards for termination of future payments for private mortgage insurance or mortgage guaranty insurance shall be deemed in compliance with the requirements of this section.

(d) For the purposes of this section, "institutional third party" means the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Government National Mortgage Association and other substantially similar institutions, whether public or private, provided the institutions establish and adhere to rules applicable to the right of cancellation of private mortgage insurance or mortgage guaranty insurance, which are the same or substantially the same as those utilized by the above-named institutions.

2954.8. (a) Every financial institution that makes loans upon the security of real property containing only a one- to four-family residence and located in this state or purchases obligations secured by such property and that receives money in advance for payment of taxes and assessments on the property, for insurance, or for other purposes relating to the property, shall pay interest on the amount so held to the borrower. The interest on such amounts shall be at the rate of at least 2 percent simple interest per annum. Such interest shall be credited to the borrower's account annually or upon termination of such account, whichever is earlier.

(b) No financial institution subject to the provisions of this section shall impose any fee or charge in connection with the maintenance or disbursement of money received in advance for the payment of taxes and assessments on real property securing loans made by such financial institution, or for the payment of insurance, or for other purposes relating to such real property, that will result in an interest rate of less than 2 percent per annum being paid on the moneys so received.

(c) For the purposes of this section, "financial institution" means a bank, savings and loan association or credit union chartered under the laws of this state or the United States, or any other person or organization making loans upon the security of real property containing only a one- to four-family residence.

(d) The provisions of this section do not apply to any of the following:

(1) Loans executed prior to the effective date of this section.
(2) Moneys which are required by a state or federal regulatory authority to be placed by a financial institution other than a bank

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